



Financial Reporting Bulletin

- **Office of Thrift Supervision** •
- *Research and Information Systems* • *National Systems* •
- *Financial Reporting Division* •

It is important that you read this bulletin and the attached materials before submitting your Thrift Financial Report.

SEPTEMBER 2001

TFR DEADLINE INCLUDING SCHEDULE LD – TUESDAY, OCTOBER 30

SCHEDULE HC DEADLINE – WEDNESDAY, NOVEMBER 14

SCHEDULE CMR DEADLINE – WEDNESDAY, NOVEMBER 14

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The Financial Reporting Division of the Office of Thrift Supervision publishes the Financial Reporting Bulletin quarterly and distributes it to all OTS regulated institutions. The bulletin's purpose is to provide the Thrift Financial Report preparer with reporting information and guidelines. Please send comments and suggestions on this bulletin to Patrick G. Berbakos, Director, National Systems, Research and Information Systems, Office of Thrift Supervision, 1700 G Street, NW, Washington, DC 20552 or by e-mail to patrick.berbakos@ots.treas.gov.

THIRD QUARTER FILING DEADLINES

You should complete and transmit the September 2001 TFR as soon as possible after the close of the quarter. All schedules except HC and CMR are due no later than Tuesday, October 30, 2001. Schedules HC and CMR are due no later than Wednesday, November 14th.

Savings institutions that are exempt from filing Schedule CMR but choose to voluntarily file **must** follow the same filing deadlines as those institutions that are required to file. Institutions that fail to meet the filing deadline may not receive their interest rate risk reports for the quarter. We advise all voluntary filers to contact Doris Jackson (972-277-9618 or doris.jackson@ots.treas.gov) two days after transmitting their CMR, to confirm that OTS received your CMR filing.

If you have any questions concerning the preparation of your report, please call your Financial Reporting Division contact in Dallas, Texas, or Trudy Reeves in Washington, DC, at 202-906-7317. If you have a problem with the electronic filing software or transmission, call Cheyann Houts at 972-277-9617 or Doris Jackson at 972-277-9618.

SCHEDULE LD – HIGH LTV FOR SINGLE-FAMILY MORTGAGES

As previously announced, effective with the September 2001 TFR, we have added a new schedule for reporting 1-4 family residential properties without private mortgage insurance (PMI) where the loan-to-value ratio loan-to-value (LTV) is equal to or greater than 90 percent. **Data on subprime lending will not be collected at this time.** The instructions for this section are included in the TFR Instruction Manual sent to you in March and are updated with this Bulletin. Schedule LD is included in the electronic filing software under the TFR tab. It must be transmitted with the TFR and is due no later than Tuesday, October 30, 2001. Our June and September Financial Reporting Bulletins include our responses to several questions on calculating and reporting high LTV in the Q&A section. We recommend that you review these Q&As before submitting your September TFR. Questions on completing Schedule LD may be sent to tfr.instructions@ots.treas.gov or you may contact your FRD analyst in Dallas, Texas.

SEPTEMBER 2001 CHANGES TO THE TFR INSTRUCTION MANUAL

Attached to this Bulletin are 38 updated pages of the TFR Instruction Manual. The updated pages are dated September 2001. We have highlighted revisions and placed a bar in the right margin of the change. The changes are as follows:

Schedule SC, Pages 202 and 203, SC130, U.S. Government and Agency Securities: Corrected a typographical error in the line title and corrected a line reference.

Schedule SC, Page 206, Mortgage Pool Securities: Clarified that pass-through securities collateralized by home equity mortgages of the type reported as consumer loans on SC340 should be reported in this section.

Schedule SC, Page 226, SC660, Goodwill and Other Intangible Assets and

Schedule SO, Page 313, SO560, Amortization of Goodwill: Updated these instructions to reflect SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangibles." Also refer to Q&A No. 140 in this bulletin.

Schedule LD, Pages 601 and 604: Clarified that purchases, originations, and sales include activity occurring during the quarter and are not cumulative.

Schedule CF, Pages 806 and 807, CF390 and CF400, Nonmortgage Loans Closed or Purchased: Clarified that these lines include disbursements for loans originated or purchased.

Schedule SI, Page 409, SI401 and SI406, Residual Interests in Financial Assets Sold: Expanded the instructions for reporting residual interests to reflect the following:

All residual interests included in Schedule SC must be reported on SI401 or SI406. Most nonsecuritized residual interests are reported on line SC655, Interest-only strip receivables and certain other instruments. However, some residual interests are included in various other lines on Schedule SC, such as SC130, SC150, SC185, and line SC690. In some cases, residual interests are reported along with other securities and other assets.

Schedule CCR, Page 1424, CCR480: Corrected to 15% the minimum amount of builder's equity required for residential construction loans qualifying for 50% risk weighting.

Schedule CMR, Page 1530, Mortgage Derivative Securities – Book Value: Corrected a reference.

Schedule CMR, Page 1548, CMR656 through CMR658: Corrected a footnote reference.

Schedule CMR, Pages 1555 and 1559 and

Appendix B, Page 1605: Corrected commitments for nonmortgage financial assets to include those originated.

Schedule CMR, Page 1561, Column 4: Deleted repetitive wording.

Schedule CMR, Page 1576, Market Value Estimates of Structured Borrowings: Expanded and clarified the instructions for reporting market value estimates of structured borrowings.

Schedule CMR, Appendix A, Page 1601: This page was omitted in the June mailing and, thus, included in this bulletin.

NEW EDIT CHECKS NOT YET IN ELECTRONIC FILING SOFTWARE

We have added six new edit checks to our September edit system that will not be added to the electronic filing software until December. If your data does not pass these edits, you will receive a call from your FRD analyst requesting an explanation or an amendment. Therefore, we suggest that you check your data prior to filing your September TFR against the following edits. If you feel that your data is correct, please submit a Usernote explaining it so that your FRD analyst will not need to call you. The new edits are:

Q516: $[SI401 + SI406] = \text{or} > SC655$

All instruments reported in SC655 (Interest-only Strip Receivables and Certain Other Instruments) normally represent residual interests in financial assets sold.

Q517: $SI401 = \text{or} < CC468$

If you have on-balance-sheet credit enhancement residuals reported on SI401, you must report the recourse obligations on CC468.

M773: If $SI401 > 0$, $CC455$ must be $> [CC465 + CC468]$

On-balance-sheet residuals are normally associated with transactions that have less than full recourse. Therefore, the amount of recourse obligation reported on CC465 plus CC468 should be less than the principal balance outstanding of assets covered by recourse obligations reported on CC455.

B838: If $SC691 = 23$ then $SC692 = \text{or} < [SI401 + SI406]$

B839: If $SC693 = 23$ then $SC694 = \text{or} < [SI401 + SI406]$

B840: If $SC697 = 23$ then $SC698 = \text{or} < [SI401 + SI406]$

If residuals are reported in Other Assets under code 23, then residuals must be reported on SI401 and/or SI406.

MARCH 2002 TFR FORM CHANGES

In August 2000 OTS published a proposal in the Federal Register to collect additional data items in the TFR. We are postponing most of this collection until March 2003. In March 2002, however, we will begin collection of Schedule FS, Fiduciary and Related Services. Institutions with fiduciary assets greater than \$250 million will be required to file an abbreviated schedule quarterly and a complete schedule annually; institutions with fiduciary assets greater than \$100 million up to \$250 million will be required to file Schedule FS in its entirety annually, but will have no quarterly filing requirement; and institutions with fiduciary assets of \$100 million or less will be required to complete an abbreviated schedule annually. All OTS fiduciary filing requirements are consistent with the filing requirements of other banking agencies. A copy of Schedule FS is attached to this Bulletin. The filing requirements are explained on the first page of the schedule. As soon as the instructions for this new schedule are finalized, we will post them on our web site, www.ots.treas.gov (click on TFR); we will include the instructions for Schedule FS with the December Financial Reporting Bulletin. The Annual Report of Trust Assets will not be required for December 2001.

Additionally, we are removing line SI350, Total Trust Assets, and TFR page 14, Subprime Lending Data, which will not be collected in 2002. We are considering a proposal to request additional detail of data collected on lines SI401 and SI406, Residual Interests in Financial Assets Sold, and a proposal to make changes that may be required by new capital regulations, which OTS expects to publish by the end of this year. As required by the Paperwork Reduction Act, we will publish for public comment in the Federal Register any additional data items that we propose.

2002 HARDWARE REQUIREMENTS FOR ELECTRONIC FILING OF REGULATORY REPORTS

The following is a repeat of information provided in the June 2001 Bulletin.

In December 2001, OTS will provide the thrift industry with new electronic filing software for the filing of regulatory reports in 2002, including the December 2001 Cost of Funds and TFR due January 30, 2002. Production and support of the software on 3 1/2" diskette is being discontinued and electronic filing software will be made available **only in CD-ROM format**. Other computer requirements to effectively operate the new software are outlined below:

Minimum:

IBM-compatible PC - 486DX-50 megahertz processor
 Windows 95, 98, NT4.0
 32 Meg of installed RAM memory
 150 Meg of available hard drive memory
 VGA or SVGA color monitor –
 640x480, 256 colors screen
 1200 bps Hayes-compatible modem
 CD-Rom drive
 HP Laserjet or Ink Jet-compatible printer

Preferred:

IBM-compatible PC - Pentium 200+ processor
 Windows 95, 98, NT4.0
 64 Meg of installed RAM memory
 200+ Meg of available hard drive memory
 SVGA enhanced color monitor –
 800x600, 256 colors or 24 bit true colors
 56K bps Hayes-compatible modem
 CD-Rom drive
 HP Laserjet or Ink Jet-compatible printer

Questions & Answers

We post TFR Questions and Answers on the OTS web site at www.ots.treas.gov/tfrqanda.html. If you have a question that you would like to appear in this column or to which you would like an e-mail response, please submit it to tfr.instructions@ots.treas.gov.

Q&A No. 138

SUBJECT: Pass-through Securities Backed by Home Equity Loans

LINES: SC185, SC210, SC215

Date: September 10, 2001

Question: *On Schedule SC where should we report pass-through securities backed by mortgages that are home equity loans? Some of the home equity loans may not have an appraisal or evaluation, but all are secured by a lien on residential real estate. Prior to securitization, most of these loans would have been classified as nonmortgage, home equity loans.*

Answer: Because the loans are evidenced by a lien on the underlying real estate and the securities are pass-through securities, the securities should be reported with pass-through mortgage securities on SC210 or SC215.

Q&A No. 139

SUBJECT: Overdrafts of Commercial NOW and Demand Accounts

LINES: SC303, SC345

Date: September 10, 2001

Question: *The instructions for SC345 under Include, item 2 say to include overdrafts of consumer NOW and demand accounts. Does the word consumer include only single customer accounts or should we include NOW and demand accounts set up for commercial purposes?*

Answer: Overdrafts of commercial accounts should be reported as commercial loans on SC303.

Q&A No. 140

SUBJECT: SFAS No. 142 – Amortization of Goodwill

LINES: SO560

Date: September 10, 2001

Question: *Is it correct that beginning on January 2002 we will no longer amortize goodwill as a result of SFAS No. 142, "Goodwill and Other Intangible Assets"?*

Answer: Yes, **however, not all** unidentifiable intangible assets are goodwill for purposes of SFAS No. 142. Most importantly, the unidentifiable intangible asset established pursuant to SFAS No. 72, "Accounting for Certain Acquisitions of Banking and Thrift Institutions", although commonly referred to as goodwill, is **not** goodwill. Therefore, this asset must continue to be amortized after December 31, 2001, in accordance with the specialized amortization requirements of SFAS No. 72. This amortization should be included in line SO560, "Amortization of goodwill". This is significant because all the unidentifiable intangible assets created in **most** branch acquisitions are SFAS No. 72 unidentifiable intangible assets, and therefore are not goodwill.

Pursuant to paragraph 8 of SFAS No. 142, that Statement does not change the accounting prescribed in SFAS No. 72. Paragraph B19 of SFAS 142 reads:

"The Board decided that this Statement should not change the accounting for an unidentifiable intangible asset recognized in an acquisition of a bank or thrift institution that is prescribed in SFAS

No. 72, "Accounting for Certain Acquisitions of Banking and Thrift Institutions". The Board noted that SFAS No. 72 does not refer to the unidentifiable intangible asset as goodwill, and concluded that it would not be appropriate to account for that intangible asset as if it were goodwill without a full reconsideration of the issues associated with that industry, which is beyond the issues addressed in this Statement."

SFAS No. 72 applies to the purchase method acquisition of a depository institution, including branches of a depository institution, where the fair value of the liabilities assumed exceed the fair value of the tangible and identifiable intangible assets acquired. Under SFAS No. 72, that excess constitutes an unidentifiable intangible asset. However, that asset is not referred to in the Statement as goodwill. SFAS No. 72 goes on to specify an amortization method for the unidentifiable intangible asset.

Q&A No. 141

SUBJECT: Definition of Nonaccrual Status

LINES: Schedule PD

Date: September 10, 2001

Question: *Should delinquent loans that management establishes a reserve for uncollected interest be reported as "nonaccrual" on Schedule PD? Is there some technical difference that would not require these loans to be reported as nonaccrual since management uses a reserve instead of placing the loan on nonaccrual on their loan system?*

Answer: If interest on a loan is accrued and in the same reporting period the interest is reversed on the income statement by establishment of a reserve, the loan is in nonaccrual status. If a portion of the interest remains on the income statement after establishment of the reserve, then the institution could consider the loan still in accrual status. It does not matter whether they no longer accrue or if they accrue and reverse the accrual; either way they are not reporting income from the loan. If they are not reporting income from the loan, the loan is in nonaccrual status.

Q&A No. 142

SUBJECT: LTV – Loans Held for Sale

LINES: Schedule LD

Date: September 10, 2001

Question: *The TB72a Interagency Guidance on High Loan-to-value Residential Real Estate Lending states that loans that are to be sold promptly (defined as 90 days from origination), without recourse, to a financially responsible third party may be excluded from supervisory LTV limits. Do these loans need to be reported on Schedule LD if they equal or exceed 90% LTV?*

Answer: Yes, they must be reported on Schedule LD.

Q&A No. 143

SUBJECT: High LTV Purchases

LINES: LD410, LD420

Date: September 10, 2001

Question: *For Purchases (LD 410 and 420) the instructions read: "Report the cost of all high LTV loans...purchased from other entities." What is included in the definition of "cost"?*

Also, are purchases reported one time only, not cumulatively, or the total value of purchased loans or pools carried by an institution?

Answer: The cost is the institution's cost to acquire the loans. This would include adjustments for the discount, premium, etc. Purchases are reported for the quarter only; they are not cumulative.

Q&A No. 144**SUBJECT:** High LTV Sales**LINES:** LD450, LD460**Date:** September 10, 2001

Question: *When reporting loan data where the loans have been sold, does this mean sold servicing released, sold on the secondary market, or both?*

Answer: Sold means any type of sale or other disbursement (other than a charge-off) that removes the loan from the balance sheet, even if servicing or a residual is retained.

Q&A No. 145**SUBJECT:** Small Business Loans Secured by Personal Residence**LINES:** Schedule LD**Date:** September 10, 2001

Question: *We have commercial loans that have 1-4 family residential properties as collateral. They have no other collateral. The loans are for small businesses collateralized with their home. Should these loans be considered mortgages for purposes of Schedule LD?*

Answer: In schedule SC they may be reported either as single-family mortgages or as secured commercial loans on SC300. However, because 1-4 dwelling units secure these loans, they must be reported on Schedule LD if the LTV of all loans secured by the property equals 90% or more.

Q&A No. 146**SUBJECT:** Liquidity in QTL**LINES:** SI581, 582 and 583**Date:** September 10, 2001

Question: *Line 4 of the QTL worksheet is for Regulatory Liquidity. Since OTS rescinded the regulation for regulatory liquidity, should we disregard this line in the QTL calculation?*

Answer: OTS is in the process of revising the QTL worksheet. Line 4 will be recaptioned: *Liquidity (cash and marketable securities)*. The calculation of line 4 is based on the lesser of the thrift's liquid assets or 20% of total assets. We define liquid assets as cash plus marketable securities excluding mortgage-backed securities included on line 12 of the worksheet.

Q&A No. 147**SUBJECT:** CCR - REPORTING GNMA MUTUAL FUNDS**LINES:** CCR 302, CCR405, CCR 450**DATE:** September 10, 2001

Question: *A bank holds \$16 million in a mutual fund that is secured by 80% GNMA securities and 20% Treasuries. The investment is available for sale, with a SFAS No. 115 unrealized gain of \$300 thousand reported on CCR302. The mutual funds are risk weighted on line CCR40, 0% risk weighting, along with other GNMA securities held. Is this reporting correct?*

Answer: Mutual funds, regardless of the portfolio of the fund, may be included with equity securities in determining the amount of the unrealized gain to report in supplemental capital on CCR302. However, mutual funds may **not** be risk weighted at less than **20%**, including those invested in GNMA and Treasury securities. The mutual fund should be reported on CCR450 in 20% risk weight.

Q&A No. 148

SUBJECT: Combined Loan to Value with New Appraisal**LINES:** CCR460**Date:** September 10, 2001

Question: How would an institution report the combined carrying value when there is a disparity in the appraisal amount on the two loans being combined? For example, a first lien was written for \$100,000 five years ago on a property appraised at 150,000. Its outstanding balance is now \$90,000. A second lien is written for \$50,000 and the new appraisal amount is \$200,000.

The combined carrying value is now 140,000, which is less than 80% of the value at the origination of the junior lien, but exceeds 80% of the value at origination of the first lien.

Answer: In general, you should use the more current appraisal in this type of situation. However, the appraisal must meet your institution's own appraisal standards and the appraisal standards of OTS regulations. Appraisals are subject to review by OTS examiners.

Q&A No. 149

SUBJECT: Matured CDs in CMR**LINES:** CMR771**Date:** September 10, 2001

Question: Where should we report CDs that have matured, but have not yet been rolled over in Schedule CMR? They earn no interest.

Answer: You should report them temporarily with demand deposits on CMR771.

COPIES OF TFR MANUAL

You may obtain additional copies of the TFR manual from the OTS Order Department. We will continue to provide one free copy to the report preparers of all OTS-regulated institutions. Anyone desiring additional copies may order them through our distribution service at (301) 645-6264. The cost for the manual and bulletins for one year is \$35. You can also access the manual and bulletins on the OTS web site at <http://www.ots.treas.gov/tfrpage.html>. You can obtain an order form and a listing of all OTS publications at <http://www.ots.treas.gov/docs/48061.html>.

Thrift Financial Report Instruction Manual Updates

September 2001

Insert these revised pages into your 2001 instruction manual.
Delete **only** those pages that have replacements.

Refer to the summary of these changes in the September 2001
Financial Reporting Bulletin.

Direct questions to your Financial Reporting Analyst in Dallas, TX,
or by e-mail to tfr.instructions@ots.treas.gov.

SCHEDULE SC – CONSOLIDATED STATEMENT OF CONDITION

*Throughout these instructions, **you** and **your** refers to the reporting savings association and its consolidated subsidiaries; **we** and **our** refers to the Office of Thrift Supervision.*

Complete this Statement of Condition, Schedule SC, on a consolidated basis from the savings association downward. Do not consolidate your holding company in this statement of condition. You should apply generally accepted accounting principles (GAAP) unless we specifically state otherwise in these instructions.

ASSETS

In general, report all assets adjusted for specific valuation allowances (SVAs), charge-offs, unamortized yield adjustments, unearned income, loans-in-process (LIP), unamortized deferred gains and losses on hedging transactions closed prior to adoption of SFAS No. 133, and the accumulated gain or loss (change in fair value) on the asset attributable to the designated risk being hedged on a qualifying fair-value hedge under SFAS No. 133.

CASH, DEPOSITS, AND INVESTMENT SECURITIES

In accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, securities reported on SC130, SC140, SC150, SC180, and SC185 fall into one of the following categories:

1. **Held-to-maturity securities:** Applies to debt securities only if there is a positive intent and ability to hold these securities to maturity. You must report held-to-maturity securities at amortized cost.
2. **Trading securities:** Applies to securities purchased and held for sale in the near term. You must report trading securities at fair value, with unrealized gains or losses reported in earnings on SO485.
3. **Available-for-sale securities:** Applies to securities not classified as trading or as held-to-maturity. You must report available-for-sale securities at fair value. The unrealized gains and losses of available-for-sale securities are excluded from earnings and reported, net of taxes, as a separate component of equity capital on SC860.

SC10: Total

The electronic filing software will compute this line as the sum of SC110 through SC191 less SC198.

SC110: Cash and Non-interest-earning Deposits

Report the total amount of cash, cash items, and non-interest-earning deposits.

Include:

1. Non-interest-earning deposits in a bank or savings association under the control of a supervisory authority.
2. Cash items in the process of collection, such as redeemed U.S. Savings Bonds.
3. Checks or drafts in the process of collection that are drawn on another depository institution, Federal Reserve Bank, Federal Home Loan Bank (FHLBank), or the U.S. government.

Do not include:

1. Checks drawn against zero-balance accounts or accounts not routinely maintained with sufficient balances to cover checks drawn in the normal course of business. Report on SC710, Deposits.
2. All other accounts with credit balances that do not have the right of offset. Report on SC760, Other Borrowings.

SC130: U.S. Government and Agency Securities

Report nonmortgage debt instruments issued by the U.S. government, its agencies, and sponsored enterprises.

Include:

1. Interest-only and principal-only strips.
2. U.S. Treasury bills, certificates, notes, and bonds.
3. Nonmortgage debt issued by FHLBanks, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), and Government National Mortgage Association (Ginnie Mae).
4. Federal agency debt securities, such as those of: Small Business Administration (SBA) nonmortgage pools, Tennessee Valley Authority (TVA), Federal Farm Credit Bank, Federal Land Bank, Federal Intermediate Credit Bank, Student Loan Marketing Association (Sallie Mae), and the Export-Import Bank.
5. Financing Corporation (FICO) bonds.
6. U.S. government and agency securities pledged as collateral on margin accounts for futures and options.

Do not include:

1. Investments in mutual funds that invest in U.S. government, agency, and sponsored enterprise securities. Report on SC140, Equity Securities.
2. Stock of FHLBanks. Report on SC690, Other Assets as Code 01.
3. Equity securities issued by sponsored enterprises of the U.S. government, such as Freddie Mac preferred stock. Report on SC140.

4. Securities issued by state and local governments. Report on SC180.
5. Securities purchased under a repurchase or dollar-repurchase agreement. Report on SC170, Federal Funds Sold and Securities Purchased Under Agreements to Resell.
6. Mortgage-backed instruments and derivatives issued or guaranteed by Fannie Mae, Freddie Mac, or Ginnie Mae. Report on **SC150 or SC210**.

SC140: Equity Securities Subject to SFAS No. 115

Report all investments in equity securities that have readily determinable fair values and that are accounted for pursuant to SFAS No. 115.

Include:

1. Common and preferred stock that has a readily determinable market value, including Freddie Mac and Fannie Mae stock.
2. Shares of all mutual funds, including those restricting their investments to debt instruments, such as U.S. government, agency, and sponsored enterprise securities.

Do not include:

1. FHLBank stock. Report on SC690, Other Assets as Code 01.
2. Other equity investments **not subject to SFAS No. 115**, including ownership interests in unconsolidated subordinate organizations and entities designated as pass-through investments, even though they are not subordinate organizations. Report on SC50, Investment in Unconsolidated Subordinate Organizations.
3. Your savings association's own treasury stock. Report as a reduction of capital on SC890, Other Components of Equity Capital.

SC150: Mortgage Derivative Securities

Report the outstanding balance, as determined in accordance with GAAP, of mortgage derivatives.

Include:

1. Mortgage derivatives issued by REMICs.
2. PO and IO strips of mortgage-backed securities, including those issued or guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae.
3. CMOs (collateralized mortgage obligations) including those collateralized by Fannie Mae, Freddie Mac, and Ginnie Mae pass-through securities.
4. Residuals of CMOs.
5. Securitized residual interests of mortgage derivatives.

Do not include:

1. PO and IO strips of U.S. government and agency nonmortgage debt instruments. Report on SC130.
2. Mortgage-backed bonds. Report on SC185.
3. Mortgage pool securities. Report on SC210 and SC215.
4. Securities collateralized by nonmortgage assets. Report on SC185.

SC162: Interest-Earning Deposits in FHLBs

Report all interest-earning checking accounts and time deposits (CDs) held with FHLBs.

Do not include:

Accounts with credit balances that do not have the right of offset. Report on SC760, Other Borrowings, except for credit balances in zero-balance accounts, which are reported on SC710, Deposits.

SC166: Other Interest-Earning Deposits

Report all interest-earning checking accounts and time certificates held with banks and other depository institutions.

Do not include:

Accounts with credit balances that do not have the right of offset. Report on SC760, Other Borrowings, except for credit balances in zero-balance accounts, which are reported on SC710, Deposits.

SC170: Federal Funds Sold and Securities Purchased Under Agreements to Resell**Include:**

1. The balance of excess Federal Funds invested.
2. Securities purchased under agreements to resell that do not meet the criteria for a sale under SFAS No. 140, including dollar-repurchase, fixed-coupon agreements. See SC730 for reporting requirements.

SC180: State and Municipal Obligations

Report debt securities issued by state and local governments.

SC185: Other Investment Securities

Report investment securities and other instruments not reported on SC110 through SC180 or SC50.

Include:

1. Investments in commercial paper and corporate debt securities.
2. Promissory notes.
3. Mortgage-backed bonds and notes.
4. Securities collateralized by nonmortgage loans such as credit cards, including securitized residual interests.

SC190: Accrued Interest Receivable

Report accrued interest and dividends receivable on investment securities reported on SC110 through SC185 if collection was probable at the time of accrual. Place investment securities on which collection of interest is not probable in a nonaccrual status.

SC199: General Valuation Allowances

Report all general valuation allowances established on investment securities that you reported on SC110 through SC190. You must include all valuation allowances in the reconciliation of valuation allowances in Schedule VA.

Do not include the following items, as these should directly adjust the asset balance:

1. Adjustments in the fair value of investment securities classified as trading or available-for-sale securities.
2. Specific valuation allowances.
3. Discounts and premiums on securities purchased at other than face value.

MORTGAGE POOL SECURITIES

A security must meet **all** of the following criteria for you to classify it as a mortgage pool security:

1. **The security is collateralized by mortgage loans.**
2. The security provides each investor with a proportional ownership interest in the underlying collateral.
3. Payments received by the issuer are passed through to the investor proportionate to ownership interest and with the same timing with which they are received.

You should report a security that meets item 1 but not 2 or 3 on SC150, Mortgage Derivative Securities, unless it is a mortgage-backed bond, in which case you report it on SC185, Other Investment Securities. You should report a security collateralized by loans that meets items 2 and 3 but does not meet item 1 on SC185, Other Investment Securities. Report a debt security that does not meet any of the above or meets only item 2 or item 3, but not both, on SC185, Other Investment Securities, except for those government securities reported on SC130 and SC180.

If the subordinate piece of a senior-subordinated security (1) exists solely for the purpose of credit enhancements and not for redirecting cash flows, (2) is no larger than necessary to provide the credit enhancement, and (3) meets the criteria of mortgage pass-through securities, above, then the senior piece is essentially a pass-through security, and you should report it **in this section**.

Include pass-through securities collateralized by home equity mortgages of the type reported as consumer loans on SC340.

In accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, mortgage-backed securities reported on SC210 and SC215 fall into one of the following three categories:

1. **Held-to-maturity securities:** Applies to mortgage-backed securities only if there is a positive intent and ability to hold these securities to maturity. You report held-to-maturity mortgage-backed securities at amortized cost.
2. **Trading securities:** Applies to mortgage-backed securities that are held for sale in the near term. You must report them at fair value, with unrealized gains or losses reported in earnings, on SO485. [Note: Mortgage-backed securities that are held for sale in conjunction with mortgage banking activities are reported as trading securities.]
3. **Available-for-sale securities:** Applies to securities not classified as trading or as held-to-maturity. You must report available-for-sale securities at fair value. The unrealized gains and losses of available-for-sale securities are excluded from earnings and reported, net of taxes, as a separate component of equity capital on SC860.

Adjust the balances in this section for:

1. Discounts and premiums on the purchase of the securities.
2. Specific valuation allowances.
3. Unamortized deferred gains and losses on hedging transactions closed prior to adoption of SFAS No. 133.
4. The accumulated gain or loss – the change in fair value – on the security attributable to the designated risk being hedged on a qualifying fair-value hedge under SFAS No. 133.

Do not adjust the balances in this section for: General valuation allowances. Report on SC227.

OTHER ASSETS:

SC58: Total

The electronic filing software will compute this line as the sum of SC642 through SC690 less SC699.

Servicing Assets on:

Report the carrying amount of servicing assets accounted for under SFAS No. 140.

Adjust the carrying amount for:

1. Unamortized deferred gains and losses on hedging transactions closed prior to adoption of SFAS No. 133.
2. Accumulated gain or loss (change in fair value) on the servicing asset attributable to the designated risk being hedged on a qualifying fair-value hedge under SFAS No. 133.
3. Any valuation allowances.

Servicing assets are subject to certain regulatory capital limitations. Refer to the instructions for data field CCR133.

Do not include amounts for any rights to future interest income from the serviced loans that exceed contractually specified servicing fees, defined below. Such rights are not servicing assets. Report such amounts on SC655, Interest-only Strip Receivables and Certain Other Instruments.

Contractually specified servicing fees are all amounts that, per the contract, are due to you as the servicer in exchange for the servicing. In other words, you would no longer receive them if the beneficial owners of the serviced assets were to exercise their actual or potential authority under the contract to shift the servicing to another servicer.

SC642: Mortgage Loans

Report servicing assets on mortgage loans only.

SC644: Nonmortgage Loans

Report servicing assets of loans other than mortgages, such as automobile and credit card loans.

SC655: Interest-only Strip Receivables and Certain Other Instruments

Report the amortized cost of certain nonsecurity financial instruments (CNFIs) accounted for under SFAS No. 140. CNFIs include interest-only strip receivables, loans receivable, other receivables, or retained interests in securitizations that can be contractually prepaid or otherwise settled in such a way that the holder would not recover substantially all of its recorded investment. Adjust the carrying amount for: (1) unamortized deferred gains and losses on hedging transactions closed prior to adoption of SFAS No. 133; (2) accumulated gain or loss (change in fair value) on the servicing asset attributable to the designated risk being hedged on a qualifying fair-value hedge under SFAS No. 133, and (3) any valuation allowances.

Do not include interest-only strips **in security form**. Report on SC150, Mortgage Derivative Securities, or SC185, Other Investment Securities, as appropriate.

In general, CNFIs are initially recorded at cost, which often approximates fair value. Subsequent to initial recording, CNFIs are measured at fair value, like investments in debt securities classified as available for sale or trading under SFAS No. 115.

SC660: Goodwill and Other Intangible Assets

Report the unamortized balance of goodwill and other intangible assets.

Include:

1. Goodwill, an unidentifiable intangible asset, recorded pursuant to APB No. 16 or SFAS No. 141.
2. The unidentifiable intangible asset recorded pursuant to SFAS No. 72.
3. Core deposit premium, an identifiable intangible asset.
4. Other identifiable intangible assets.

Do not include:

1. Servicing assets; report on SC642 and SC644.
2. Interest-only strip receivables and certain other instruments; report on SC655.
3. Organization costs. See AICPA SOP 98-5.

Goodwill, an unidentifiable intangible asset, arises in a purchase method business combination accounted for under APB No. 16 or SFAS No. 141. The amount initially recognized as goodwill is the excess of cost of the acquired entity over the net of the amounts (generally, fair value) assigned to tangible and identifiable intangible assets acquired and liabilities assumed.

The unidentifiable intangible asset recorded pursuant to SFAS No. 72 is **not** goodwill. SFAS No. 72 applies to certain acquisitions of depository institutions and branches of depository institutions. The amount initially recorded as the unidentifiable intangible asset is the excess of the fair value of the liabilities assumed over the fair value of the tangible and identifiable intangible assets acquired.

SC690: Other Assets

Report the total of assets not reported elsewhere on Schedule SC. You can find examples of the types of assets to be included in the memo items detailing other assets below.

Do not include:

1. Premiums on deposits and borrowed money that you purchased. Report premiums on deposits on SC715 and premiums on borrowed money with the related borrowing.
2. Deferred credits, deferred income, that do not have a related asset. Report on SC796, Other Liabilities and Deferred Income.

Include:

1. Fees for servicing loans owned by you.
2. Fees for servicing loans owned by others where you own the servicing rights.

Do not include:

1. Amortization of purchased loan servicing rights. Deduct the amortization from SO410, Mortgage Loan Servicing Fee Income.
2. Servicing fees for loans acquired on a net yield basis. Deduct the servicing fees from related interest income.

SO560: AMORTIZATION OF GOODWILL

Report amortization of SC660, Goodwill and Other Intangible Assets.

Include amortization of:

1. Goodwill, an unidentifiable intangible asset, recorded pursuant to APB No. 16 or SFAS No. 141.
2. The unidentifiable intangible asset recorded pursuant to SFAS No. 72.
3. Core deposit premium, an identifiable intangible asset.
4. Other identifiable intangible assets.

Also, include impairment write-downs on goodwill and other intangible assets.

Do not include amortization of Servicing assets; report this on SO410.

Upon adoption of SFAS No. 142 in 2002, goodwill recorded pursuant to APB No. 16 or SFAS No. 141 will no longer be amortized. However, this unidentifiable intangible asset will continue to be subject to impairment write-downs. The exact adoption date of SFAS No. 142 in 2002 will depend on your fiscal year-end.

SO570: NET PROVISION FOR LOSSES ON NONINTEREST-BEARING ASSETS

Report the provision for losses on all non-interest-bearing assets. Report credit balances as negative.

Refer to the general instructions for Schedule VA for a discussion of how to properly calculate provision for losses. Report adjustments to valuation allowances as an expense in the period in which you determine the amount of the loss even if that loss actually occurred in a prior period.

Include adjustments to valuation allowances on:

1. Real estate owned.
2. Real estate held for investment.
3. Subordinate organizations.
4. Other assets.

Do not include:

1. Recoveries of valuation allowances at the time of sale. Include these recoveries in the gain or loss on the sale.
2. Provisions for losses on interest-bearing assets. Report the losses on SO321, Net Provision for Losses on Interest-bearing Assets.
3. Direct charge-offs of servicing assets. Report the direct charge-offs on SO410, Mortgage Loan Servicing Fees.

4. Losses recognized in marking foreclosed assets to fair value at the time of foreclosure or in-substance foreclosure. Report these as losses on loans on SO321, Net Provision for Losses on Interest-bearing Assets.

SO580: OTHER NONINTEREST EXPENSE

Report the total of all noninterest expense not included on SO510 through SO570. A list of the types of expense you should include appears below in the memo items detailing other noninterest expense.

Memo: Detail of Other Noninterest Expense

Report the three largest items comprising the amount you reported on SO580. Select codes best describing these items from the list below and report the codes on SO581, 583, and 585. Report the corresponding amounts on SO582, 584, and 586. You must complete this detail if an amount is reported on SO580.

SO581, 583, and 585: Codes

- 01 Deposit Insurance premiums.
- 02 OTS assessments.
- 03 Interest expense on income taxes.
- 04 Interest expense on Treasury tax and loan accounts administered under the note option.
- 05 Forfeited commitment fees on FHLBank advances not taken down by the association.
- 06 Supervisory examination fees.
- 07 Office supplies, printing, and postage.
- 08 Telephone, including data lines.
- 09 Noncapitalized loan origination expenses, including appraisal reports, credit reports, and other like expenses.
- 10 ATM expense.
- 11 Adjustments to prior periods.
- 12 Acquisition and organization costs, including mergers and branch office acquisitions.
- 13 Miscellaneous taxes other than income taxes and real estate taxes.
- 14 Losses from fraud.
- 15 Foreclosure expenses.
- 16 Web site expenses.
- 17 Charitable Contributions.
- 99 Other. (**Use this code only for an item not identified above.**)

SO582, 584 and 586: Amounts

Report the dollar amounts corresponding to the codes reported on SO581, 583 and 585.

SCHEDULE LD — CONSOLIDATED LOAN DATA

*Throughout these instructions, **you** and **your** refers to the reporting savings association and its consolidated subsidiaries; **we** and **our** refers to the Office of Thrift Supervision.*

GENERAL INSTRUCTIONS

The collection of high loan-to-value data on this schedule will be effective September 2001.

You should report on this schedule only information about your loans and those of your consolidated subsidiaries. Do not include information of your holding company, affiliates, or unconsolidated subsidiaries.

HIGH LOAN-TO-VALUE LOANS SECURED BY 1-4 FAMILY RESIDENTIAL PROPERTIES, WITHOUT PMI OR GOVERNMENT GUARANTEE

Report data on 1-4 family real estate loans that meet both of the following conditions:

- The loan-to-value equals or exceeds 90 percent.
- There is no private mortgage insurance (PMI) or government guarantee, **such as FHA or VA.**

For reporting 1-4 family, high loan-to-value loans on this schedule, include home equity loans and second mortgages that you classify as consumer loans on Schedule SC, as well as loans reported as mortgages. The only 1-4 family real estate loans that you can exclude are those that the borrower has otherwise substantially secured and where you take the mortgage as an abundance of caution (for example secured auto loans), and where you have not made the terms more favorable than they would have been in the absence of the real estate lien. Report all loans at recorded investment less specific valuation allowances. See the instructions for mortgage loans in Schedule SC for a definition of **recorded investment**. Note that the amount you report as the loan value may differ from the amount used in the calculation of LTV as explained below.

In determining the LTV ratio, you must combine all loans secured by the same property regardless of whether you classify the loan as a mortgage or consumer loan in Schedule SC. **If you hold a junior lien, you must include all liens senior to your lien in the LTV calculation, even if you do not hold all the senior liens.**

In calculating LTV, use the recorded investment of the loan as the numerator. Do not deduct specific valuation allowances. If you have not yet disbursed the entire loan and you are legally bound to fund an

undisbursed commitment, use the recorded investment plus an undisbursed commitment, including letters of credit, for the numerator.

Use the borrower's purchase price of the real estate or appraised value at origination, whichever is less, for the denominator in the LTV calculation. Subsequent to origination if the real estate market has changed significantly and the value of the real estate has increased, you may use a current market valuation. You must support this valuation by a current appraisal or evaluation performed in accordance with 12 CFR 564.

If you make an adjustable rate mortgage loan where the loan contract permits negative amortization when interest rates rise, such that the loan could exceed 90 percent LTV, you do not need to report the loan as a high LTV loan until the balance of the loan reaches 90 percent of the value of the property. See definitions in 12 CFR § 560.101.

Example 1: You make a loan with a principal balance of \$90,000 on the purchase of a house, with deferred fees net of origination costs of \$2,000. At origination the appraised value is \$100,000. There is no PMI on this loan. The recorded investment at origination is \$88,000 (\$90,000 less \$2,000). Therefore, at origination the LTV equals 88 percent and the loan is not reported as a high LTV loan in Schedule LD.

Example 2: You purchase a loan with a principal balance of \$88,000 at a premium of \$3,000. The originator appraised the property at \$100,000. Your recorded investment is \$91,000 (\$88,000 plus \$3,000), and thus the LTV is 91 percent. There is no PMI on this loan. You must include your recorded investment in this loan in the 90 up to 100 LTV category.

Example 3: You make a legally binding commitment of \$9 million on a construction loan on a project of single-family homes, with a projected value at completion of \$10 million. Therefore, the LTV equals 90 percent. There is no PMI on this loan. At the reporting date, you have disbursed \$3 million on this loan; this is the recorded investment. You must report the \$3 million in the 90 up to 100 LTV category.

Example 4: You make an adjustable rate mortgage loan with a principal balance of \$85 thousand on the purchase of a house for \$100 thousand. There is no PMI on this loan. The loan document guarantees that the monthly payment will not exceed \$750. The LTV at origination is 85 percent, and the loan is therefore not reported as a high LTV loan. Interest rates rise to the point that, if you fully amortized the loan, the loan payment would exceed \$750. Each month you add the amount of the loan amortization in excess of \$750 to the recorded investment of the loan. In time, the recorded investment of the loan reaches 90 percent. At that time, you must include the recorded investment of the loan in the 90 up to 100 LTV category.

BALANCES AT QUARTER-END:

Report the recorded investment less specific valuation allowances of all mortgages secured by 1-4 family residential properties where the loan-to-value falls in the range indicated and that are not covered by PMI or government guarantee.

LD110: 90 up to 100 LTV

LD120: 100 or Greater LTV

PAST DUE AND NONACCRUAL BALANCES:

Report the recorded investment less specific valuation allowances of all past due and nonaccrual mortgages secured by 1-4 family residential properties, where the loan-to-value falls in the range indicated and that are not covered by PMI or government guarantee. You should use the same definitions of past due and nonaccrual that we provide in Schedule PD.

Past Due and Still Accruing:

30 - 89 Days

LD210: 90 up to 100 LTV

LD220: 100 and Greater LTV

90 Days or More

LD230: 90 up to 100 LTV

LD240: 100 and Greater LTV

Nonaccrual

LD250: 90 up to 100 LTV

LD260: 100 and Greater LTV

CHARGE-OFFS AND RECOVERIES:

Net Charge-offs (including Specific Valuation Allowance Provisions & Transfers from General to Specific Allowances):

We define net charge-offs as charge-offs from general valuation allowances, as reported on VA155, less recoveries, as reported on VA135, plus specific valuation allowance provisions, as reported on VA118, and transfers from general allowances, as reported VA128. This is also referred to as **adjusted net charge-offs**. You also report adjusted net charge-offs on Schedule VA in the total column beginning with VA35. Include adjusted net charge-offs of all balances reportable on LD110 and LD 120. Include all

charge-offs, recoveries and specific valuation allowance activity on high loan-to-value 1-4 family mortgages even if the acquisition and the charge-off took place in the same quarter.

LD310: 90 up to 100 LTV

LD320: 100 and Greater LTV

PURCHASES

Report the cost of all high loan-to-value loans secured by 1-4 family residential properties purchased during the quarter from other entities. You should also report these purchases in Schedule CF.

LD410: 90 up to 100 LTV

LD420: 100 and Greater LTV

ORIGINATIONS

Report the amount disbursed for all high loan-to-value loans secured by 1-4 family residential properties during the quarter. Note that you report all amounts net of loans-in-process (LIP), and report additional disbursements in the quarter in which you make them. Use the definition of disbursements found in the instructions as Schedule CF for the definition of originations in this schedule.

LD430: 90 up to 100 LTV

LD440: 100 and Greater LTV

SALES

Report all high loan-to-value loans secured by 1-4 family residential properties sold to other entities or otherwise disposed of during the quarter. You should also report these sales in Schedule CF.

LD450: 90 up to 100 LTV

LD460: 100 and Greater LTV

CF300: Nonresidential

Report loans and participations purchased during the quarter of the types on SC240, Construction Loans on Nonresidential Property, SC260, Permanent Mortgages on Nonresidential Property (Except Land), and SC265, Permanent Mortgages on Land.

Loans and Participations Sold, Secured by:**Include:**

1. The carrying value of mortgage loans and participations sold to other entities or otherwise disposed of.
2. Securitized loans, both those sold and those you retain in your security portfolio. If you retain a portion of a loan securitization, report that portion as an acquisition on CF140 or CF150.

CF310: 1-4 Dwelling Units

Report loans and participations sold during the quarter of the types on SC230, Construction Loans on 1-4 Dwelling Units, and SC250 and SC253, Permanent Mortgages on 1-4 Dwelling Units.

CF320: 5 or More Dwelling Units

Report loans and participations sold during the quarter of the types on SC235, Construction Loans on 5 or More Dwelling Units, and SC256, Permanent Mortgages on 5 or More Dwelling Units.

CF330: Nonresidential

Report loans and participations sold during the quarter of the types on SC240, Construction Loans on Nonresidential Property; SC260, Permanent Mortgages on Nonresidential Property (Except Land); and SC265, Permanent Mortgages on Land.

CF340: Cash Repayment of Principal

Report all cash repayments of principal received during the quarter on loans reported on SC230 through SC265, Mortgage Loans.

Include:

1. Scheduled amortization repayments.
2. Full and partial cash prepayments.

Do not include:

1. Loan foreclosures. Report on CF350.
2. Capitalized interest charges. Report on CF350.
3. Report noncash transactions that reduce loan balances such as loan restructurings and refinancings on CF350.

CF350: Debits Less Credits Other Than Repayment of Principal

Report noncash transactions affecting principal balances of loans on SC230 through SC265. Mortgage Loans. Report a net credit as negative.

Include:

1. Capitalized charges such as interest, taxes, insurance, and other miscellaneous charges on SC230 through SC265, Mortgage Loans.

2. Mortgage loans foreclosed.
3. Noncash payoffs of the construction phase from a combination construction-permanent loan that became permanent during the quarter.
4. Changes in SVAs of mortgage loans.
5. Unearned income on mortgage loans originated such as loan fees, prepaid interest, etc. and on mortgage loans purchased such as discounts and premiums.
6. Amortization of unearned income – yield adjustments – on mortgage loans.
7. Increases in unearned income from mortgage loans resulting from mergers accounted for using the purchase method and acquisitions using pushdown accounting.

Do not include:

1. Unclassified loans. Transactions on CF190 through CF270 must correspond to their classification on SC230 through SC265, Mortgage Loans.
2. The underlying loan of a wrap-around loan reported as a borrowing on SC760, Other Borrowings.
3. Transfers between the mortgage loan and nonmortgage loan classifications.
4. Foreclosures on property securing real estate loans that are equity investments under GAAP as these amounts were not included in mortgages.
5. Increased balances resulting from negative amortization and open-end loans. Report as originations.
6. Changes in mortgage balances due to acquisition or disposition of a branch as explained in the general instructions.

CF360: Refinancing Loans

Report the gross amount of refinanced mortgage loans during the quarter that you reported on CF190 through CF270 where you held the original loan. Include both troubled debt restructurings and non-troubled debt restructurings. Report the full amount of the new refinanced loan even though you report only the new amount disbursed on CF190 through CF270. Include all loans refinanced this quarter, even if you disbursed no new funds. Where you disbursed no new funds, include loans that you did not report on CF190 through CF270.

NONMORTGAGE LOANS CLOSED OR PURCHASED

Report the amount disbursed for commercial and consumer nonmortgage loans and financing leases. Include both loans originated by you and loans you purchased.

Include:

1. Disbursements made during the quarter on lines of credit.
2. Disbursements of LIP.
3. Disbursements made on loans even if the loans paid off or you sold them during the same quarter – line-of-credit transactions and loans originated for sale.

Refer to the general instructions at the beginning of this schedule for reporting when you have had a merger or bulk acquisition.

CF390: Commercial

Report **disbursements of loans and financing leases that you originated** or purchased during the quarter of the types on SC300 through SC306, Commercial Loans.

CF400: Consumer

Report **disbursements of loans and financing leases that you originated** or purchased during the quarter of the types on SC310 through SC345, Consumer Loans.

DEPOSITS

The following items reconcile deposits as follows:

SC710 from last quarter's TFR
Plus CF420
Plus CF430
Plus CF435
Equals SC710 of the current TFR.

Exceptions include certain miscellaneous items described in the instructions for SC710 such as changes in balances of the following items:

1. Outstanding cashier's checks, money orders, and other official checks drawn on internal accounts.
2. U.S. Treasury tax and loan accounts.
3. Funds drawn on a zero-balance account in another depository institution or a FHLBank.
4. Outstanding travelers' letters of credit.

CF420: New Deposits Received Less Deposits Withdrawn

Report the total of deposits received less deposits withdrawn during the quarter.

Report activity in a merger as follows:***Merger with a savings association regulated by the OTS:***

Report your activity combined with the activity of any savings association you merged with for the full quarter, regardless of whether you used the purchase or pooling method of accounting. This should reflect the entire quarter's activity regardless of the merger date. Do not include the acquired savings associations' deposits at the beginning of the quarter as new deposits. Report only the activity during the quarter.

Merger with depository institution not previously regulated by the OTS:

Do not report the deposit activity of the acquired non-OTS depository institution before the merger date. After the merger date, report your deposit activity combined with the merged institution.

Report activity in a branch acquisition as follows:

Do not report the activity of purchased branches before the date of acquisition. The depository institution selling the branch should report this activity up to the date of the sale or acquisition.

Do not include as new deposits received:

1. Bulk deposits acquired in a merger, branch, or bulk deposit purchase.
2. Accrued interest.

Include as deposits withdrawn:

1. Charges to Now, Super-Now, and other transaction accounts.
2. Withdrawals of matured time deposits.
3. Withdrawals of savings and all other deposits.

Do not include as deposits withdrawn:

Branch or bulk deposit sales.

CF430: Interest Credited to Deposits

Report amount of interest and dividends credited during the quarter to accounts on SC710, Deposits.

In the case of a merger, include the following:***Merger with a savings association regulated by the OTS:***

Report your combined interest credited and any from a savings association that you merged with for the full quarter, regardless of whether you used the purchase or pooling method of accounting. This should reflect the entire quarter's interest credited regardless of the merger date.

Merger with depository institution not previously regulated by the OTS:

Do not report the interest credited by the acquired non-OTS depository institution before the merger date. After the merger date, report your interest credited combined with the merged institution.

Do not include:

1. Interest paid out in cash.
2. Accrued interest reported on SC763, Accrued Interest Payable – Deposits.

Examples of residual interests include, but are not limited to, interest-only strips, spread accounts, and cash collateral accounts.

All residual interests are reported somewhere on Schedule SC. Most nonsecuritized residual interests are reported on line SC655, Interest-only Strip Receivables and Certain Other Instruments. However, some residual interests are included in various other lines on Schedule SC, such as SC130, SC150, SC185, and SC690. In some cases, residual interests are reported along with securities and other assets. The total of lines SI401 and SI406 should equal all residual interests that you have included in Schedule SC.

SI401: Credit Enhancement Residual Interests

Credit enhancement residual interests are those that are structured, through subordination provisions or other credit enhancement techniques, to absorb more than a pro-rata share of credit loss in relation to the transferred assets.

SI406: Other Residual Interests

Other residual interests, those that do not expose the institution to a concentrated level of credit risk, are typically highly rated, liquid, and marketable. Examples include Fannie Mae or Freddie Mac I/O strips.

QUALIFIED THRIFT LENDER TEST

SI581, SI582, AND SI583: ACTUAL THRIFT INVESTMENT PERCENTAGE AT MONTH-END

To be a Qualified Thrift Lender, QTL, you must either meet the Home Owners' Loan Act, HOLA, QTL test or the Internal Revenue Service tax code Domestic Building and Loan Association, DBLA, test.

If you use the HOLA QTL test, report the ATIP from the OTS QTL worksheets, OTS Form 1427, for the three months. Because of the field size limitation, if the ATIP exceeds 99.99%, enter 99.99. If you use the IRS DBLA test, leave lines SI581, 582, and 583 blank.

EXTENSIONS OF CREDIT BY THE REPORTING ASSOCIATION (AND ITS CONTROLLED SUBSIDIARIES) TO ITS EXECUTIVE OFFICERS, PRINCIPAL SHAREHOLDERS, DIRECTORS, AND THEIR RELATED INTERESTS AS OF THE REPORT DATE

Federal Reserve Regulation O defines the terms used in this item.

An **extension of credit** is a making or renewal of any loan, a granting of a line of credit, or an extension of credit in any manner whatsoever. Extensions of credit include, among others, loans, overdrafts, cash items, standby letters of credit, and securities purchased under agreements to resell. For lines of credit, the amount reported as an extension of credit is normally the total amount of the line of credit extended to the insider, not just the current balance of the funds that have been advanced to the insider under the line of credit. See 12 CFR § 215.3, Regulation O.

An **executive officer** of the reporting savings association is person who participates or has authority to participate, other than as a director, in major policy-making functions of the reporting savings association, an executive officer of the savings association's holding company, and, unless excluded by the savings

association's board of directors or bylaws, any other subsidiary of that holding company. See 12 CFR § 215.2(e), Regulation O.

A **director** of the reporting savings association is person who is a director of the savings association, whether or not receiving compensation, a director of the holding company of which the savings association is a subsidiary, and, unless excluded by the savings association's board of directors or bylaws, a director of any other subsidiary of that holding company. See 12 CFR § 215.2(d), Regulation O.

A **principal shareholder** of the reporting savings association is an individual or a company other than an insured depository institution that directly or indirectly, or acting through or in concert with one or more persons, owns controls, or has the power to vote more than 10% of any class of voting stock of the reporting savings association. Regulation O considers shares owned or controlled by a member of an individual's immediate family to be held by the individual. A principal shareholder includes a principal shareholder of a holding company of which the reporting savings association is a subsidiary and a principal shareholder of any other subsidiary of that holding company. See 12 CFR § 215.11(a)(1), Regulation O.

A **related interest** is either:

1. A company, other than an insured depository institution or a foreign bank that is controlled by an executive officer, director, or principal shareholder.
2. A political or campaign committee that is controlled by or the funds or services of which will benefit an executive officer, director, or principal shareholder. See 12 CFR § 215.11(a)(2), Regulation O.

SI590: Aggregate amount of all extensions of credit

Report the aggregate amount outstanding as of the report date of all extensions of credit by you and your controlled subsidiaries to all of your executive officers, principal shareholders, directors, and their related interests.

Include each extension of credit in the aggregate amount only one time, regardless of the number of borrowers.

SI595: Number of executive officers, principal shareholders, and directors to whom the amount of all extensions of credit (including extensions of credit to related interests) equals or exceeds the lesser of \$500,000 or five percent of unimpaired capital and unimpaired surplus (CCR30 + CCR35 + CCR530 + CCR105)

Report the number of your executive officers, principal shareholders, and directors to whom the amount of all extensions of credit outstanding by you and your controlled subsidiaries as of the report date equals or exceeds the lesser of \$500,000 or five percent of unimpaired capital and unimpaired surplus. That is, five percent x (CCR30 + CCR35 + CCR530 + CCR105). Report the actual number; do not round to thousands.

For purposes of this item, the amount of all extensions of credit by you and your controlled subsidiaries to an executive officer, principal shareholder, or director includes all extensions of credit by you to the related interests of the executive officer, principal shareholder, or director. A single extension of credit to more than one borrower must be included in full for all extensions of credit for each executive officer, principal shareholder, and director included in the credit. That is, one loan may be included more than once in the calculation of the \$500 thousand or 5% of unimpaired capital and unimpaired surplus limit, because it will be included for each executive officer, principal shareholder, and director listed on the loan.

7. Loans to commercial entities collateralized by mortgages of third-party borrowers (warehouse loans), or small business loans collateralized by a lien on a residential property. Report on CCR505, 100% Risk-weight: All Other Assets.

CCR465: Qualifying Multifamily Residential Mortgage Loans

Qualifying Multifamily Mortgage Loans (12 CFR § 567.1) Under Current Rule

Report the carrying value, outstanding balance less specific valuation allowances, plus accrued interest receivable, of permanent, first mortgages secured by first liens on multifamily residential properties consisting of five or more dwelling units that meet **all** the following criteria:

1. Amortization of principal and interest occurs over a period of not more than 30 years.
2. Original minimum maturity for repayment of principal on the loan is not less than seven years.
3. At the time you placed the loan in the 50 percent risk-weight category, the owner had made all principal and interest payments on the loan for the preceding year on a timely basis according to the loan terms (not 30 days or more past due).
4. The loan is performing and not 90 days or more past due.
5. You made the loan according to prudent underwriting standards.
6. The current outstanding loan balance does not exceed 80 percent (75 percent for variable rate loans) of the value of the property securing the loan. "Value of the property" (when you originate a loan to purchase a multifamily property) means the lower of either the purchase price or the amount of the initial appraisal, or if appropriate, the initial evaluation. Where a purchaser is not purchasing a multifamily property, but taking a new loan on his currently owned property, determine the value of the property by the most current appraisal, or if appropriate, the most current evaluation.
7. For the property's most recent fiscal year, the ratio of annual net operating income generated by the property, before payment of any debt service on the loan, to annual debt service on the loan is not less than 120 percent, (115 percent for variable-rate loans). In the case of cooperative or other not-for-profit housing projects, the property generates sufficient cash flows to provide you comparable protection.

In cases where a borrower refinances a loan on an existing property, instead of complying with criteria (3) and (7) above, a loan may qualify by satisfying the following criteria:

1. For the preceding year, the owner made all principal and interest payments on the loan being refinanced on a timely basis, not 30 days or more past due, according to the loan terms.
2. The net income on the property for the preceding year would have supported timely payment of principal and interest on the new loan according to the applicable debt service requirement.

12 CFR § 567.1 defines residential property as houses, condominiums, cooperative units, and manufactured homes. This definition does not include hospitals and nursing homes. Manufactured homes are those subject to HUD regulations under Title VI of the U.S. Code.

Include mortgage loans on mixed-use properties that are primarily multifamily residential properties if they satisfy the criteria for qualifying multifamily mortgage loans.

Grandfathered Qualifying Multifamily Mortgage Loans

Qualifying multifamily mortgage loans include multifamily mortgage loans that on March 18, 1994, met the criteria of qualifying multifamily mortgage loans under our capital rule on March 17, 1994, and continue to meet those criteria, namely:

1. An existing property consisting of 5 to 36 dwelling units secures the mortgage.
2. The initial LTV ratio is not more than 80 percent.
3. For the past full year, the property's average annual occupancy rate is 80 percent or more of total units.

CCR470: Other MBS Backed by Qualifying Mortgage Loans

Report MBS, other than high quality MBS reported on CCR430, secured by **qualifying single-family** residential mortgage loans eligible to be reported on CCR460 or **qualifying multifamily** residential mortgage loans eligible to be reported on CCR465. Include IOs, POs, and CMOs excluding residuals secured by qualifying single-family or multifamily residential mortgage loans but subject to exclusion from CCR430 because the security has less than a AA rating. Report **residual classes** of mortgage-related securities on CCR505, 100% Risk-weight: All Other Assets.

If **qualifying multifamily residential mortgage loans** back the securities, you must receive timely payments of principal and interest according to the terms of the security. Generally, consider payments timely if they are not 30 days or more past due.

CCR475: State and Local Revenue Bonds

Report securities issued by state and local governments where the revenues from a stated project such as a toll road repay the security.

CCR480: Other

Report all fifty-percent risk-weight assets not included above as defined in 12 CFR § 567.6(a)(1)(iii).

Include:

1. The credit equivalent amount of interest and exchange rate contracts (interest-rate swaps and caps) where the counterparty is an entity other than a domestic depository institution, a FHLBank, or a Federal Reserve Bank.
2. Revenue bonds issued by any public-sector entity in an OECD country that are payable solely from the revenues generated from the project financed through the issuance of the obligations.
3. Qualifying residential construction loans, also called residential bridge loans, meeting the criteria of 12 CFR § 567.1. Such loans must satisfy the following criteria:
 - a. You must make the loan according to sound lending principles to a builder with at least 15 percent equity in the project (or higher, depending upon the risk of the project) who will construct a one- to four-family residence that, when sold, will be owner-occupied.
 - b. You must obtain sufficient documentation from a permanent lender (that may be the construction lender) demonstrating all the following:
 - i. The homebuyer intends to purchase the residence.
 - ii. The homebuyer has the ability to obtain a permanent qualifying mortgage loan sufficient to purchase the residence.
 - iii. The homebuyer has made a substantial earnest money deposit.
 - c. The construction loan must meet all the following requirements:
 - i. Not exceed 80 percent of the sales price of the residence.

Fixed-rate

Report the following items for performing fixed-rate consumer loans and pass-through securities backed by such loans. Report pay-through securities in Cash, Deposits, and Securities on CMR461 through CMR481 or as code 121 in Supplemental Reporting of Market Value Estimates, as appropriate.

CMR336: Balances

Report the outstanding balance of fixed-rate consumer loans and the outstanding balances of asset-backed securities backed by fixed-rate consumer loans.

CMR338: Weighted-Average Remaining Maturity (WARM)

Calculate the WARM for all fixed-rate consumer loans and asset-backed securities as described in the general instructions to Schedule CMR. Do not include credit card balances expected to pay off in the interest-free grace period.

$$\begin{aligned} \text{WARM} &= \frac{\$100,000 (48) + \$70,000 (60)}{\$170,000} \\ &= 52.94 \\ &= 53 \text{ months} - \text{rounded to the nearest month} \end{aligned}$$

CMR342: Weighted-Average Coupon (WAC)

Calculate the WAC for all fixed-rate consumer loans as described in the general instructions to Schedule CMR. For asset-backed securities, use the coupon of the security, the pass-through rate, not the coupon of the collateral. Do not include credit card balances expected to pay off within the interest-free grace period.

Example: You have \$100,000 of fixed-rate credit card balances with a stated rate of 18 percent, and \$100,000 of auto loans with a coupon of 10 percent. You estimate that 30 percent of the credit card balances typically pay off within the interest free grace period. Calculate the WAC for consumer loans as follows.

$$\begin{aligned} \text{WAC} &= \frac{\$70,000 (18.0\%) + \$100,000 (10.0\%)}{\$170,000} \\ &= 13.29\% \end{aligned}$$

Supplemental Reporting

If you hold a variety of types of consumer loans – auto loans, credit cards, education loans – or adjustable-rate consumer loans tied to a variety of different indices you may wish to report those balances disaggregated by loan type or index type in the Supplemental Reporting Section. The additional detail improves the estimates produced by the OTS Model. For information, see the instructions for Supplemental Reporting for Assets and Liabilities.

MORTGAGE-DERIVATIVE SECURITIES — BOOK VALUE

Mortgage-derivative securities include the following items:

1. Collateralized mortgage obligation (CMO) tranches.
2. Stripped mortgage-backed securities (SMBS).
3. CMO residuals.

In the lines described below, report mortgage-derivative securities at the same amount that you reported in Schedule SC. See general instructions for reporting Cash, Deposits, and Securities located immediately before the instructions for SC10. Enter securities in the high risk or low risk columns based on whether the following high-risk test would classify them as high risk or low risk:

A mortgage-derivative security is high risk if it meets any of the following criteria:

1. The expected remaining weighted-average life¹ of the security exceeds ten years.
2. The expected remaining weighted-average life of the security extends by more than four years for an immediate and sustained parallel shift in the yield curve of plus 300 basis points.
3. The expected remaining weighted-average life of the security shortens by more than six years for an immediate and sustained parallel shift in the yield curve of minus 300 basis points; or
4. The estimated change in the price of the security is more than 17 percent, due to an immediate and sustained parallel shift in the yield curve of plus or minus 300 basis points.

Report all high-risk, mortgage-derivative securities in the appropriate cells in the column *High Risk*.

Report all mortgage-derivative securities that the test does not classify as high risk in the appropriate cells of the column *Low Risk*.

Floating-rate tranches that use a conventional widely used index are only subject to **item 4 above** if the current interest rate on the tranche is below the maximum contractual interest rate on the tranche, the cap rate. Floating rate tranches tied to other indices, superfloaters, and inverse floaters are subject to the entire test.

Once you have determined the appropriate risk class of your mortgage derivative, you will break down balance and rate by the derivative security's characteristics. These characteristics are set forth in the following three sections: CMOs, CMO residuals, and stripped MBS.

Collateralized Mortgage Obligations (CMOs)

Report CMO tranches, excluding residuals, on CMR351 through CMR364 according to the characteristics of the tranche as defined below. Do not include CMO swaps. Include the value of CMO swaps, based on your estimates, on Supplemental Reporting of Market Value Estimates.

CMR351 and CMR352: Floating Rate

Report the amount of all CMO tranches that pay an interest rate tied to a floating-rate index on CMR351 and CMR352, as appropriate.

CMR353 and CMR354: Fixed Rate: Remaining Weighted-Average Life Not Exceeding Five Years

Report the amount of fixed-rate CMO tranches with remaining weighted-average lives of less than or equal to five years on CMR353 and CMR354, as appropriate. In general, report most support tranches, also called companion bonds, for short-term Planned Amortization Class (PAC) and Targeted Amortization Class (TAC) bonds on CMR353. Typically, report short-term PAC and TAC bonds and the first tranche of a sequential CMO on CMR354.

¹ Weighted Average Life (WAL) is a measure of the expected time until repayment of principal on a mortgage-backed security. WAL, in years, is calculated as:

$$WAL = \frac{P_1 + (2 \times P_2) + (3 \times P_3) + \dots + (M \times P_M)}{(12 \times \text{Outstanding Balance})}$$

Where M = remaining number of months to maturity,
P₁, P₂, etc. = expected principal payments in each future month.

FIXED-RATE, FIXED-MATURITY DEPOSITS

CMR601-CMR603, CMR615-CMR617, CMR631-CMR632, and CMR641: Balances

Report each outstanding CD balance in the cell corresponding to its remaining maturity and original maturity.

Include:

1. CDs.
2. Notice accounts.
3. Consecutive monthly payment accounts – for example, Christmas Club accounts.

Do not include:

Variable-rate, fixed-maturity deposits. Use code 200 to report these deposits in **Supplemental Reporting for Assets and Liabilities**.

Note: We include notice accounts in the maturity/repricing column that corresponds to the remaining term of the notice period. We include consecutive monthly payment accounts in the maturity/repricing column that corresponds to the remaining term required to qualify for the bonus rate.

CMR605-CMR607, CMR619-CMR621, CMR634-CMR635, and CMR643: Weighted-Average Coupon (WAC)

Report the weighted-average APY of the CD balances reported in each of the nine cells listed above. Calculate the weighted-average APY in the same way as described for the WAC in the general instructions to Schedule CMR.

CMR608-CMR610, CMR622-CMR624, CMR636-CMR637, and CMR644: Weighted-Average Remaining Maturity (WARM)

Report the WARM, in months, of the CD balances reported in each of the nine cells listed above. We describe how to calculate the WARM in the general instructions to Schedule CMR.

CMR604, CMR618, CMR633, and CMR642: Early Withdrawals during Quarter (Optional)

Reporting in these cells is optional. Report the dollar balances of CDs that meet both of the following criteria:

1. Subject to early withdrawal penalties.
2. Withdrawn before their contractual maturity during the quarter.

Report balances withdrawn before maturity according to what the remaining maturity of those balances would have been at the quarter's end had they not been withdrawn.

CMR645: Total Fixed-Rate, Fixed-Maturity Deposits (CDs)

The electronic filing software will compute this line as the sum of CMR601 through CMR603, CMR615 through CMR617, CMR631, CMR632, and CMR641.

MEMO: FIXED-RATE, FIXED-MATURITY DEPOSIT DETAIL:

CMR650 through CMR652: Balances in Brokered Deposits

For the total CD balances reported in each original maturity column, determine the portion that are brokered deposits. Report these balances for each original maturity. The term brokered deposit, defined in 12 CFR § 337.6, refers to funds obtained, directly or indirectly, by or through any deposit broker.

Example: You report \$125,000 on CMR602, \$225,000 on CMR616, and \$250,000 on CMR631. Of the three balances, \$50,000, \$25,000, and \$35,000, respectively, are in brokered accounts. You would report \$110,000 (= \$50,000 + \$25,000 + \$35,000) on CMR651.

Deposits with Early-withdrawal Penalties Stated in Terms of Months of Forgone Interest:

CMR653 through CMR655: Balances Subject to Penalty

For the balances reported in each original maturity column, determine the portion subject to early withdrawal penalties (EWP) stated in months of forgone interest. Report these balances for each original maturity column. Do not include CDs having EWP stated differently (flat penalty, market-related penalty).

Example: You report \$125,000 on CMR602, \$225,000 on CMR616, and \$250,000 on CMR631. Of the \$125,000 balance, \$100,000 are CDs with an EWP of 1.12 month's interest. Of the \$225,000 and \$250,000 balances, a total of \$450,000 are CDs with an EWP requiring forfeiture of 1.98 months' interest. You would report \$550,000 (= \$100,000 + \$450,000) on CMR654.

CMR656 through CMR658: Penalty in Months of Forgone Interest

For the balances reported in each original maturity column, and totaled on CMR653 through CMR655, report the weighted-average EWP in months of foregone interest for each year (or fraction of a year) of contractual maturity. Report to two decimal places. Report these for each original maturity column.

Example: You report \$125,000 on CMR602, \$225,000 on CMR616, and \$250,000 on CMR631. Of the \$125,000 balance, \$100,000 are CDs with an EWP of 1.12 month's interest.² Both the \$225,000 and \$250,000 aggregate balances are CDs with an EWP requiring forfeiture of 1.98 months' interest. You would calculate the weighted-average EWP on CMR657 as follows:

$$\begin{aligned} \text{EWP} &= \frac{(100,000 \times 1.12) + (475,000 \times 1.98)}{(100,000 + 475,000)} \\ &= 1.83 \text{ months} \end{aligned}$$

² The early withdrawal penalties are in months of forgone interest for each year (or fraction of a year) of remaining maturity.

$$\text{EWP} = \frac{(\text{Penalty in \$})}{(\$ \text{ Interest paid over remaining maturity})} \times 12 \text{ months per year}$$

4. Commitments to purchase, **originate**, or sell nonmortgage financial assets and liabilities.
5. Interest-rate swaps.
6. Interest-rate caps.
7. Interest-rate floors.
8. Futures.
9. Options on futures.
10. Construction LIP.

Note: Report information about financial derivatives and OBS contracts on Schedule CMR even if you have adopted SFAS No. 133 and report derivative instruments in Schedule SC on SC690, Other Assets, or SC796, Other Liabilities.

Report OBS contract positions on CMR801 through CMR880. To report an OBS contract position, report the contract code described below that corresponds to the position in the column *Contract Code*. Enter the notional principal amount of the position in the column *Notional Amount*. Report information in the other columns according to the instructions for each type of contract. We provide examples of how to report various positions for each type of contract in the individual sections.

Reporting More Than 16 Financial Derivatives and OBS Positions

CMR801 through CMR880 accommodate the reporting of 16 financial derivatives and OBS positions. If you have more than 16 positions, you must report the remaining positions by one of the following two methods:

1. Report the remaining positions on the continuation sheet *Supplemental Reporting for Financial Derivatives and Off-Balance-Sheet Positions* in the same manner as the initial 16 positions. Number each position sequentially in the column *Entry #*, beginning with the number 1 for the first position reported. Use as many continuation sheets as necessary to report the remaining positions. On CMR902, report the number lines that you report in this manner.
2. You may provide your own estimate of the market values of the remaining positions in each of the seven interest-rate scenarios on *Supplemental Reporting of Market Value Estimates*. To report under this method, see *Supplemental Reporting for Derivatives and OBS Contracts* in the section *Supplemental Reporting of Market Value Estimates*. On CMR903, report the number of lines that you report by this method.

If you choose this method, you must report all positions of Optional Commitments to Originate Mortgages, discussed below, as part of the 16 positions on CMR801 through CMR880.

Contract Code

Identify all OBS contract positions by a contract code. We provide a list of codes for each type of contract in Appendices B and D. The first two digits of the four-digit contract codes designate the general type of contract. For example, all codes for optional commitments to originate mortgages begin with the digits 10. The last two digits of the code designate the specific type of OBS contract within the general type. For example, we designate optional commitments to originate 30-year fixed-rate mortgages by the code 1014.

Reporting Instructions

We provide instructions below for each of the ten general types of financial derivatives and OBS contracts. Each section begins by defining the contracts covered in that section. We also provide guidance on how to combine or aggregate contracts for reporting purposes. We specify what to report in each of the five columns, CMR801 through CMR880, and provide examples.

Report all rates as a percent to two decimal places. For example, to report a coupon rate of 7.5 percent, report 7.50. Report all prices as a percentage of par to two decimal places. For example, to report a price of 102 percent of par, report 102.00. Report a price of par as 100.00.

Optional Commitments to Originate Mortgages

An optional commitment to originate a mortgage is an obligation to originate a mortgage loan at a specified interest rate, fixed or adjustable, where the potential borrower faces no substantial penalty for failing to take the loan. Report only those optional commitments to originate where you have in effect or have offered a specified interest rate, a rate lock, that is currently subject to the borrower's acceptance.

Commitments to originate are firm when both the borrower and the lender are obligated to close the loan at the interest rate specified. We provide instructions for reporting firm commitments below.

Aggregation

Report all commitments having the same contract code as a single position. See Appendix B for codes. For example, report all commitments on one-month COFI ARMs (code 1002) as a single position, report all commitments on six-month and one-year COFI ARMs (code 1004) as a single position, and so forth.

Column 1: Contract Code

Report the contract code for the position in Column 1. Refer to Appendix B for the list of codes.

Column 2: Notional Amount

Report the dollar amount of commitments outstanding in Column 2. For rate locked loans that have yet to receive credit approval, deduct an amount representing expected credit denials. Do not adjust the reported amount for fallout of approved loans.

Column 3: Maturity or Fees

Report in Column 3 the dollar amount in thousands of loan origination and loan discount fees that you would collect if each loan closed. These fees should include compensation for buy-ups or buy-downs. Do not include any other fees collected in the loan origination process, such as application, appraisal, credit, and title fees.

Column 4: Price/Rate #1

Report in Column 4 the WAC of outstanding commitments. Refer to the calculation of the WAC in the general instructions to Schedule CMR.

Column 5: Price/Rate #2 (Optional)

Reporting this information is optional. Report in Column 5 the percentage of optional commitments, by dollar balances, outstanding as of the end of the previous quarter that closed during the quarter.

Example: You report \$120 million of optional commitments on 30-year, fixed-rate mortgages as of June 30. Of the \$100 million of optional commitments that you reported in the previous quarter's report, the report for the quarter ending March 31, \$75 million closed during the quarter. You would report 75.00 [equal to (\$75 million/\$100 million) x 100] in Column 5 for the quarter ending June 30.

We intend to use this information to develop fallout rate estimates for savings associations that report this data. The OTS Model uses these estimates to estimate the interest rate sensitivity of your mortgage pipelines.

If you choose not to report this information, you should leave this cell blank. The OTS Model will use national fallout rate estimates to estimate the market value of your mortgage pipelines.

Aggregation

Report each optional commitment to purchase or sell mortgages or MBS as a single position.

Column 1: Contract Code

Report the contract code for the position in Column 1. Refer to Appendix B for the list of codes.

Column 2: Notional Amount

Report the notional principal amount of the commitment in Column 2.

Column 3: Maturity or Fees

Report the number of days until the commitment expires in Column 3.

Column 4: Price/Rate #1

Report the coupon rate or the pass-through rate in Column 4.

Column 5: Price/Rate #2

Report the strike price as a percentage of par in Column 5.

Examples:

Position 1: You have purchased an optional commitment to sell \$10 million of five-year balloon mortgages with a coupon of seven percent at a price of 98.00, percent of par. The commitment expires in 45 days.

Position 2: You have sold an optional commitment to purchase \$25 million of 8.5 percent coupon 15-year fixed-rate mortgages for par in 20 days.

Report the positions as follows:

	[1] Contract Code	[2] Notional Amount	[3] Maturity or Fees	[4] Price/Rate #1	[5] Price/Rate #2
Position 1	3030	10 000	45	7.00	98.00
Position 2	3052	25 000	20	8.50	100.00

Commitments to Purchase, Originate, or Sell Nonmortgage Financial Assets and Liabilities

Commitments to purchase, originate, or sell nonmortgage financial assets and liabilities are agreements to purchase or sell financial assets and liabilities other than mortgages or MBS, for a specified fixed price, on a specified date. You should report commitments to purchase, originate, or sell mortgages or MBS according to the instructions for those commitments above.

You should **not** report repurchase and resell agreements as OBS contracts. You should report such agreements as the underlying on-balance-sheet asset or liability that they represent. Report on CMR461 or CMR476 through CMR478, and CMR675 through CMR715, respectively.

Aggregation

Report commitments to purchase or sell nonmortgage financial assets and liabilities that you can combine under the same contract code as a single position. See Appendix B for codes. For example, report all commitments to purchase nonmortgage financial assets (code 4002) as a single position, report all commitments to sell core deposits (code 4024) as a single position, and so forth.

Column 1: Contract Code

Report the contract code for the position in Column 1. Refer to Appendix B for the list of codes.

Column 2: Notional Amount

Report the dollar amount of the commitments outstanding in Column 2.

Column 3: Maturity or Fees

If the position consists of commitments on nonmortgage financial assets, report the weighted-average maturity (WAM) of the assets in months in Column 3. If the position consists of commitments on core deposits, leave Column 3 blank. If the position consists of commitments on other liabilities, report the WAM in months in Column 3. Refer to the calculation of the WARM in the general instructions to Schedule CMR.

Column 4: Price/Rate #1

If the position consists of commitments on nonmortgage financial assets, report the WAC of the assets in Column 4. If the position consists of commitments on either core deposits or other liabilities, report the weighted-average interest rate paid on the liabilities in Column 4. Refer to the calculation of the WAC in the general instructions to Schedule CMR.

Column 5: Price/Rate #2

Report in Column 5 the weighted-average price as a percentage of par you will receive on the instruments underlying the commitment. Refer to the calculation of the WAC in the general instructions to Schedule CMR.

Examples:

Position 1: You have agreed to sell \$500,000 of ten-year Treasury securities with a WAC of 9.23 percent at a weighted-average price of 95.39, percent of par.

Positions 2 and 3: You have agreed to sell four branches and the liabilities maintained at those branches. The branches contain \$16 million in core deposits that pay a weighted-average rate of 6.4 percent, and \$44 million in other liabilities that pay a WAC of 7.5 percent and have a WARM of 26 months. The agreed upon premium is 2 percent, net of any assets that will change hands in this transaction. The seller pays \$58.8 million, or 98 percent of par, to the buyer for assuming \$60 million of liabilities.

Report the positions as follows:

	[1] Contract Code	[2] Notional Amount	[3] Maturity or Fees	[4] Price/Rate #1	[5] Price/Rate #2
Position 1	4022	500	120	9.23	95.39
Position 2	4024	16 000		6.40	98.00
Position 3	4026	44 000	26	7.50	98.00

Interest-Rate Swaps

Interest-rate swaps are agreements to exchange streams of coupon payments based on a notional principal amount. One or both of the coupon payment streams varies with a specified interest rate index.

Aggregation

Report each swap as a separate position.

Column 1: Contract Code

Report the contract code for the position in Column 1. Refer to Appendix B for the list of codes.

Column 2: Notional Amount

Report the notional principal amount of the swap in Column 2.

Column 3: Maturity or Fees

Report maturity information for both current and forward swaps in Column 3 using the same format. First, report the effective date of the swap, the date that interest for the first payment of the swap agreement begins to accrue, in YYYY format. Second, report the maturity date, the date of the last payment of the swap agreement, also in YYYY format.

For example, for a current swap effective February 21, 1991, and maturing February 21, 2002, report 91020202 in Column 3. For a forward swap effective February 21, 2000, and maturing February 21, 2010, report 00021002 in Column 3.

For a mortgage swap, report the maturity date of the underlying pool of mortgages, not the date the agreement terminates.

Column 4: Price/Rate #1

For fixed-for-floating swaps, report in Column 4 the fixed rate that you either receive or pay.

For basis swaps, report in Column 4 the margin added to, or subtracted from, the index being received as a positive or negative number, respectively. If there is no margin leave Column 4 blank.

For mortgage swaps, report in Column 4 the mortgage coupon rate or the pass-through rate that you either receive or pay.

Column 5: Price/Rate #2

For fixed-for-floating swaps, report in Column 5 the margin added to or subtracted from the index as a positive or negative number, respectively. If there is no margin, leave Column 5 blank.

For basis swaps, report in Column 5 the margin added to or subtracted from the index being paid as a positive or negative number, respectively. If there is no margin, leave Column 5 blank.

For mortgage swaps, in Column 5 report the margin as a positive number if it is added to the index that you receive. Report the margin as a negative number if it is added to the index that you pay.

Examples:

Position 1: You pay a fixed rate of 9.20 percent and receive three-month LIBOR on a \$25 million swap that went into effect in March 1990 and expires in March 2002.

Position 2: You will pay a fixed rate of 9.00 percent and receive six-month LIBOR on a \$10 million forward **swap** that begins in December 1994 and ends in December 2003.

Position 3: You purchased a \$25 million swaption that would begin, if exercised, in June 1993 and mature in June 2004. The swaption grants the right to pay a fixed rate of 9.5 percent and receive three-month LIBOR.

Position 4: You pay one-month LIBOR and receive COFI on a \$15 million swap that went into effect in December 1993 and expires in June 2005.

Position 5: You pay one-month LIBOR plus 0.30 percent and receive a mortgage coupon of 10 percent under a mortgage swap that went into effect September 1990. The notional principal amount of the swap is \$8,235,000 as of the report date. The underlying pool of mortgages matures in September 2015.

You would report the positions as follows:

	[1] Contract Code	[2] Notional Amount	[3] Maturity or Fees	[4] Price/Rate #1	[5] Price/Rate #2
Position 1	5004	25 000	90030203	9.20	
Position 2	5006	10 000	94120312	9.00	
Position 3	5104	25 000	93060406	9.50	
Position 4	5062	15 000	93120506		
Position 5	5072	8 235	90091509	10.00	0.30

Interest-Rate Caps

An interest-rate cap is an option contract that compensates the holder of the cap when a specified interest-rate index increases above a specified rate (called the cap rate or strike rate). The party that has purchased the cap is long the cap; while the party that has sold the cap is short the cap.

An interest-rate corridor is an agreement that combines a short position in an interest-rate cap and a long position in an interest-rate cap. To report corridors, report the two component cap positions separately.

An interest-rate collar is an agreement that combines an interest-rate cap position and an interest-rate floor position. To report collars, report the component cap and floor positions separately. The instructions for reporting interest-rate floors, as well as an example of reporting a collar, are below.

Aggregation

Report each interest-rate cap as a separate position.

Column 1: Contract Code

Report the contract code for the position in Column 1. Refer to Appendix B for the list of codes.

Column 2: Notional Amount

Report the notional principal amount of the cap in Column 2.

Column 3: Maturity or Fees

Report maturity information for both current and forward caps in Column 3 using the same format. First, report the effective date of the cap (the first exercise date of the cap) in YYMM format. Second, report the maturity date (the month of the last payment date of the cap), also in YYMM format.

For example, for a cap with its first exercise date on February 21, 1991, and with its last payment date on February 21, 2001, report 91020102 in Column 3. For a forward cap with first exercise date on February 21, 2000, and last payment date on February 21, 2010, report 00021002 in Column 3.

Column 4: Price/Rate #1

Report the cap rate, or strike rate, in Column 4.

Column 5: Price/Rate #2

Leave Column 5 blank.

Market Value Estimates of Financial Derivatives and Off-Balance-Sheet Contracts

Report an estimate of the market value of financial derivatives and OBS contracts according to the instructions for either case 1 or case 2 below.

Case 1: You hold financial derivatives and OBS contract(s) that do not have contract codes listed in the instructions. In such instances, report market value estimates for those contracts, in each of the seven interest rate scenarios listed, using contract code 500, from Appendix D, on the *Supplemental Reporting of Market Value Estimates*.

Case 2: You have more than 16 financial derivatives and OBS contract positions and have chosen to provide your own market value estimates of the additional positions instead of reporting them in the section, *Supplemental Reporting for Financial Derivatives and OBS Positions*. See *Reporting More Than 16 OBS Positions* in the section *Off-Balance-Sheet Contracts*. In such instances, you must report the estimated aggregate market value of the additional positions in each of the seven interest rate scenarios listed on the *Supplemental Reporting of Market Value Estimates* using contract code 500 from Appendix D.

You may also include estimates of the market value of loan servicing rights other than single-family first mortgages; for instance, servicing of commercial real estate, second mortgages, home equity loans, auto loans, credit cards, etc.

Market Value Estimates of Mortgage Derivative Securities

Reporting Information: Certain savings associations must report the estimated aggregate market value of mortgage-derivative securities in each of the seven interest rate scenarios. This is in addition to the general requirement that savings associations report the recorded investment of these securities on CMR351 through CMR376 as described in *Mortgage-Derivative Securities* in the *Assets* section.

If you meet any of the three conditions below, you must report the estimated market values of your entire portfolio of mortgage-derivative securities:

1. Your assets exceed \$500 million.
2. You acquired high-risk mortgage-derivative securities as described in *Mortgage-Derivative Securities*, in the *Assets* section after December 31, 1988.
3. The recorded investment of your portfolio of mortgage-derivatives exceeds five percent of your total assets.

If you meet any of these three conditions, you must report the market value of all CMOs, residuals, stripped MBS, and CMO swaps under the seven interest rate scenarios on the *Supplemental Reporting of Market Value Estimates* using asset code 123 found in Appendix D. In valuing floating-rate CMOs, on CMR351 and CMR352, you should use a methodology that accomplishes the following:

1. Values the cap and floor of the floater.
2. Discounts cash flows using the zero-coupon Treasury curve and a spread to the curve.

CEO Memo 55, dated April 30, 1996 contains a detailed description of a methodology that incorporates these two requirements. The memo is available on OTS's web site, www.ots.treas.gov.

If we do not require you to report estimated market values you may do so at your option, but you must include market values for all mortgage derivatives whose recorded investments you report on CMR351 through CMR376.

Use of Information: When calculating your Interest Rate Risk Report, the OTS Model will use market value estimates of mortgage derivatives if you report them. If you have such derivatives but do not report market value estimates, the OTS Model will estimate market values using values of similar instruments as proxies.

Market Value Estimates of Complex Securities

Reporting Information: If you report any complex securities you must report the estimated aggregate market value of those securities in each of the seven interest rate scenarios using contract code 121 from Appendix D.

Use of Information: When producing your Interest Rate Risk Exposure Report, the OTS Model will include in NPV the market value estimates of these securities.

Market Value Estimates of Structured Borrowings

For the purpose of these instructions, structured borrowings include borrowings and Federal Home Loan Bank (FHLB) advances with embedded options or derivative-like features where the advance's coupon, average life, and redemption value are dependent on a reference rate, an index, or a formula. Structured borrowings include, but are not limited to, putable and callable advances, variable rate advances with embedded caps, floors, or collars, step-up variable rate advances and amortizing advances. The amounts to be entered in the rate shock scenarios are the estimated market value of the contract after the rate change. See Appendix D, codes 280 through 290, for a detailed description of structured borrowings whose market value estimates are reported on Supplemental Reporting of Market Value Estimates.

The important contractual terms used in classifying these positions are 1) who owns (has the right to exercise) the option, and 2) the type of option. The type of option is classified using standard option terminology, i.e., the owner of a call has the right to buy at the exercise price, and the owner of a put has the right to sell at the exercise price. Standard option terminology is not always consistent with the terminology used in marketing these instruments.

For example, with a putable advance, an FHLB effectively purchases a put option from the borrowing member. This put option provides the FHLB with the right to terminate the advance and offer alternative credit on new terms if interest rates increase. An advance with these terms would have position code 280. The terminology on these products may be an issue since some FHLBs call putable advances putable advances, and other FHLBs call them callable advances. From the perspective of standard option terminology callable is not the proper term for this instrument, since the FHLB has the right to sell (put) the advance back to the member when interest rates increase and the value of the debt has fallen.

A callable advance in standard option terminology allows the member to prepay the advance. The position code for this contract is 282. If the advance allowed the FHLB to convert the advance from fixed to floating rate, the advance would be termed a convertible advance and would have position code 281.

A similar, but more complicated advance is the periodic floating rate advance. In this advance the interest rate floats by being periodically reset to LIBOR. However, the member effectively sells a floor to the FHLB, which limits the reduction in interest payments when LIBOR decreases. The position code for this advance is 283.

Market Value Estimates of Collateralized Mortgage Securities Issued (Optional)

Reporting Information: Report only those collateralized mortgage securities issued that you do not record as sales in accordance with SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. Report information on collateralized mortgage securities issued in two places: one mandatory, the other optional:

1. Report the book value of CMOs and other collateralized mortgage securities issued on CMR785. Balances on CMR785 should not be on CMR678 through CMR706.
2. At your option, you may use code 210 to report your estimate of the value of the collateralized mortgage securities issued, in each of seven interest rate scenarios listed on the Supplemental Reporting of Market Value Estimates.

Reporting Guidelines

Report positions in the Supplemental Reporting of Market Value Estimates as follows:

Column 1: Entry Number

Number all lines used to report supplemental market value information, starting with the number 1.

Column 2: Position Code

The position code is a 3-digit code that denotes the type of instrument reported. The codes are included in Appendix D.

Column 3: Balance

Report the outstanding balance for each position whose market value estimates are reported in Column 3 through Column 9. For zero-coupon instruments, report the recorded investment, which is the amortized value of the investment.

Column 4 through Column 10: Estimated Market Value After Specified Rate Shock

Report the estimate of the market value in each of the following interest rates scenarios: -300 basis points, -200bp, -100bp, No Change, +100bp, +200bp, +300bp, respectively.

SUPPLEMENTAL REPORTING FOR DERIVATIVES AND OFF-BALANCE-SHEET POSITIONS

In this section, you may report supplemental information about OBS contracts as described in *Reporting More Than 16 OBS Positions* in the section *Off-Balance-Sheet Contracts*. If you have more than 16 OBS positions, you may report those positions in the same manner that you reported the initial 16 positions on the continuation page *Supplemental Reporting for Financial Derivatives and OBS Positions*.

To report positions using supplemental pages, number the positions sequentially in the column *Entry #*, beginning with number 1 for the first position on the first supplemental page. The same instructions in the section *Off-Balance-Sheet Contracts* used to report the initial 16 positions apply. Use as many continuation pages as necessary to report the remaining positions.

APPENDIX A

LIST OF INTEREST RATE INDEX CODES

Code	Index
303	3-month Treasury security
306	6-month Treasury security
312	1-year Constant Maturity Treasury
324	2-year Constant Maturity Treasury
336	3-year Constant Maturity Treasury
360	5-year Constant Maturity Treasury
370	7-year Constant Maturity Treasury
380	10-year Constant Maturity Treasury
401	1-month London Interbank Offered Rate (LIBOR)
403	3-month London Interbank Offered Rate (LIBOR)
406	6-month London Interbank Offered Rate (LIBOR)
412	1-year London Interbank Offered Rate (LIBOR)
431	FannieMae LAMA Index (to be used for liabilities only)
503	3-month FHLB advance rate
506	6-month FHLB advance rate
512	1-year FHLB advance rate
524	2-year FHLB advance rate
536	3-year FHLB advance rate
548	4-year FHLB advance rate
560	5-year FHLB advance rate
603	3-month fixed-rate CD rate
606	6-month fixed-rate CD rate
612	1-year fixed-rate CD rate
660	5-year fixed-rate CD rate
710	FHLMC/FNMA 30-year, fixed-rate mortgage commitment rate
720	National Average Contract Rate for the Purchase of Previously Occupied Homes
800	Federal funds rate
811	11th District FHLB Cost-of-Funds Index (COFI)
812	Lender's own Cost-of-Funds
820	Federal Cost-of-Funds Index
830	Prime rate
900	Fixed-rate
910	Rate adjusted at lender's discretion
911	Any other index

Contract Codes for Optional Commitments to Purchase or Sell Mortgages and MBS

Long Options to Purchase Mortgages and MBS (Long Calls)

3002	long the option to purchase 1-month COFI ARMs
3004	long the option to purchase 6-month or 1-year COFI ARMs
3006	long the option to purchase 6-month or 1-year Treasury or LIBOR ARMs
3008	long the option to purchase 3-year or 5-year Treasury ARMs
3010	long the option to purchase 5-year or 7-year Balloon or 2-step mortgages
3012	long the option to purchase 10-year, 15-year, or 20-year FRMs
3014	long the option to purchase 25-year or 30-year FRMs
3016	long the option to purchase all other mortgages

Long Options to Sell Mortgages and MBS (Long Puts)

3022	long the option to sell 1-month COFI ARMs
3024	long the option to sell 6-month or 1-year COFI ARMs
3026	long the option to sell 6-month or 1-year Treasury or LIBOR ARMs
3028	long the option to sell 3-year or 5-year Treasury ARMs
3030	long the option to sell 5-year or 7-year Balloon or 2-step mortgages
3032	long the option to sell 10-year, 15-year, or 20-year FRMs
3034	long the option to sell 25-year or 30-year FRMs
3036	long the option to sell all other mortgages

Short Options to Purchase Mortgages and MBS (Short Calls)

3042	short the option to purchase 1-month COFI ARMs
3044	short the option to purchase 6-month or 1-year COFI ARMs
3046	short the option to purchase 6-month or 1-year Treasury or LIBOR ARMs
3048	short the option to purchase 3-year or 5-year Treasury ARMs
3050	short the option to purchase 5-year or 7-year Balloon or 2-step mortgages
3052	short the option to purchase 10-year, 15-year, or 20-year FRMs
3054	short the option to purchase 25-year or 30-year FRMs
3056	short the option to purchase all other mortgages

Short Options to Sell Mortgages and MBS (Short Puts)

3062	short the option to sell 1-month COFI ARMs
3064	short the option to sell 6-month or 1-year COFI ARMs
3066	short the option to sell 6-month or 1-year Treasury or LIBOR ARMs
3068	short the option to sell 3-year or 5-year Treasury ARMs
3070	short the option to sell 5-year or 7-year Balloon or 2-step mortgages
3072	short the option to sell 10-year, 15-year, or 20-year FRMs
3074	short the option to sell 25-year or 30-year FRMs
3076	short the option to sell all other mortgages

Contract Codes for Commitments to Purchase, Originate or Sell Nonmortgage Financial Assets and Liabilities

For purposes of reporting, **core deposits** are defined as transaction accounts, money market deposit accounts, passbook accounts, and non-interest-bearing demand deposits.

4002	purchase or originate nonmortgage financial assets
4004	purchase core deposits
4006	purchase all other liabilities
4022	sell nonmortgage financial assets

4024	sell core deposits
4026	sell all other liabilities

Contract Codes for Interest-Rate Swaps

We have divided the codes for swaps into three groups: fixed-for-floating swaps, basis swaps, and mortgage swaps. We have not listed codes for LIBOR-for-COFI basis swaps because the value of this type of swap does not change substantially when the yield curve changes in a parallel fashion. Special reporting instructions for swaptions and amortizing swaps appear below the list of codes.

CMO swaps are reported with Mortgage Derivative Securities. See **Mortgage Derivative Securities** in Section II, Assets.

If the institution holds a type of interest rate swap that is not contained in this list, the contract should be reported on **Supplemental Reporting of Market Value Estimates**, using code 500 from Appendix D. See **Market Value Estimates of OBS Contracts** in Section V, Reporting of Market Value Estimates, for reporting instructions.

Fixed-for-Floating Swaps

5002	pay fixed, receive 1-month LIBOR
5004	pay fixed, receive 3-month LIBOR
5006	pay fixed, receive 6-month LIBOR
5008	pay fixed, receive COFI
5010	pay fixed, receive 3-month Treasury
5012	pay fixed, receive 1-Year Treasury
5014	pay fixed, receive 3-year Treasury
5016	pay fixed, receive 5-year Treasury
5018	pay fixed, receive 7-year Treasury
5020	pay fixed, receive 10-year Treasury
5022	pay fixed, receive the prime rate
5024	pay 1-month LIBOR, receive fixed
5026	pay 3-month LIBOR, receive fixed
5028	pay 6-month LIBOR, receive fixed
5030	pay COFI, receive fixed
5032	pay 3-month Treasury, receive fixed
5034	pay 1-Year Treasury, receive fixed
5036	pay 3-year Treasury, receive fixed
5038	pay 5-year Treasury, receive fixed
5040	pay 7-year Treasury, receive fixed
5042	pay 10-year Treasury, receive fixed
5044	pay the prime rate, receive fixed

Basis Swaps

5052	pay COFI, receive 1-month LIBOR
5054	pay COFI, receive 3-month LIBOR
5056	pay COFI, receive 6-month LIBOR
5058	pay COFI, receive 3-month Treasury
5060	pay 1-month LIBOR, receive 1-year Treasury
5062	pay 1-month LIBOR, receive COFI
5064	pay 3-month LIBOR, receive COFI